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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T3, 2017/2018

BSM7054 – STRATEGIC MANAGEMENT
(MBA Full Time)

1 JUNE 2018
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **SIX (6) pages** excluding the cover page.
2. This question paper consists of **TWO (2) sections**. Answer all questions.
3. Please write all your answers in the **Answer Booklet** provided.

SECTION A (40 marks)**2018 is an exciting year for Malaysia's car industry**

PETALING JAYA: The year 2018 is shaping up to be an exciting one for the car industry as global manufacturers rev up their operations in Malaysia to capture bigger slices of a growing market.

Towards this end, automotive industry executives are expecting further consolidation in the industry.

“There will be more corporate exercises to consolidate the assembly segment of the automotive industry. This is to bring down the cost further,” said an executive.

All eyes will be on Proton Holdings Bhd as the national car company plots its return to the top with Chinese strategic partner Zhejiang Geely Holding Group Co Ltd in the driving seat.

Proton made headlines in 2017 after it picked Geely over Europe’s second largest carmaker Groupe PSA in a tightly-contested race to become its foreign partner.

But despite losing the bid for Proton, it is believed that PSA has not given up on its ambition to sell more cars to the region’s burgeoning middle class.

PSA, the maker of Peugeot, DS and Citroen cars, is seeking to revive slumping sales in China and South-East Asia this year after a sharp decline in 2017.

The company had recently appointed a new head for its Asian operations and announced that a joint venture in Vietnam had begun producing Peugeot SUVs targeting the domestic market.

Malaysia, however, remains the biggest market for the European brands in the region, with Naza Group the sole distributor of Peugeot and Citroen cars in country.

The group has an assembly plant in Gurun, Kedah that produces Peugeot and Kia cars.

PSA’s plans to boost sales across the region could benefit Naza’s plant as it would improve utilisation rate and bring down cost. Naza’s plant has the capacity to produce 50,000 units a year

Naza aimed to sell 1,800 units of Peugeot cars in 2017, a modest target compared with the total industry volume of 590,000 cars.

“We expect a mild recovery in the sector going forward, supported by improve consumer sentiment and the launch of new models,” Public Investment Bank said in a strategy report.

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The Malaysian Automotive Association is projecting new car sales in 2018 to grow to 619,000.

Malaysia is the third largest automotive market in the region, behind leaders Indonesia and Thailand.

The new car market in the Asean region was estimated at three million units a year with Japanese brands dominating the market.

Geely's substantial stake in Proton provides the Chinese carmaker with a springboard into the Asean car market.

The immediate priority for the group, however, is to win back its lost market share at home.

Despite several new offerings in 2017, Proton had struggled to break the 70,000 units mark, while sales at Daihatsu Motor Company backed rival brand Perodua topped 200,000 units.

Honda stood at number two with an estimated 100,000 cars sold in 2017.

Analysts said 2018 would be a watershed year for Proton.

A big part of the deal with Geely involved the rights for Proton to use the Chinese firm's best selling model – the Boyue sports utility vehicle (SUV) to penetrate the regional market.

The Chinese firm says it plans to use Proton's huge, but massively under-utilised car plant in Tanjung Malim, Perak as a manufacturing hub for right-hand drive market in South-East Asia.

The new Proton SUV, based on the Boyue, is expected to be rolled out from the factory later this year with an eye for the Asean market.

The Proton factory in Tanjung Malim has a capacity to produce a million cars a year.

A total of 3.16 million new motor vehicles were sold in Asean countries in 2016 and the figure is likely to grow by at least 5% in 2017. Steady economic growth is expected to sustain strong demand for new cars across the region in 2018.

This is good news for Proton and its partner Geely, but expect other big manufacturers not to give up their market shares so easily.

Source: <https://www.thestar.com.my/business/business-news/2018/01/01/exciting-year-ahead-for-the-car-industry/#GoFDit8LygzmbGjZ.99>

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Answer the following questions.

- a) Explain the international entry mode used by Geely and the characteristics of this mode of entry.
(7 marks)
- b) Explain the **TWO (2)** benefits to Proton and **TWO (2)** benefits to Geely from the partnership deal.
(8 marks)
- c) Explain if the manufacturing plant of Proton at Tanjung Malim, Perak can be a core competence for Proton and Geely.
(12 marks)
- d) The case highlighted the intention of PSA and Proton to increase their market share in Malaysia. Explain the likelihood of the competitors responding to their competitive actions.
(9 marks)
- e) Do you think that Proton's decision to select Geely as its foreign partner is able to revive Proton as the market leader in Malaysia automobile industry? Justify your answer.
(4 marks)

(Total 40 Marks)

SECTION B (60 marks)

QUESTION 1

For the first quarter of 2017, Malaysia retail industry recorded another disappointing growth rate of -1.2% in retail sales, as compared to the same period in 2016.

This latest quarterly result was again below market expectation. It was lower than the estimate made by members of MRA (at 0.9%) as well as projection made by Retail Group Malaysia (at 1.5%) in March 2017.

Except Pharmacy and Personal Care sub-sector, all retail sub-sectors recorded declines in their retail businesses during the first quarter of 2017.

Department Store cum Supermarket sub-sector suffered from another negative growth rate of 3.7% during the first quarter of 2017, as compared to the same period a year ago. This is the third consecutive quarterly decline.

Source: <http://www.starproperty.my/index.php/articles/property-news/malaysia-retail-industry-report/>

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- a) Analyse the general environment segments that affect the growth of Malaysia retail sector industry. Your analysis should at least cover **FOUR (4)** general environment segments.
(12 Marks)
 - b) Suggest the business level strategy the supermarkets in Malaysia should pursue. Justify your answer.
(4 Marks)
 - c) What are the implications of negative growth in the retail industry to the intensity of rivalry among the retailers in Malaysia?
(4 Marks)
- (Total 20 Marks)**

QUESTION 2

MQ Technology, a Malaysia-based manufacturer of tools for hard disk drive, automotive and medical industries, said Thursday it plans to diversify its principal activities to include marketing services for gaming related businesses and thereby provide an additional revenue stream.

The company has signed marketing agreement with Vivo Tower Holdings to exclusively develop and implement marketing services as well as provide manpower for Vivo Tower's Star Vegas Resort & Club in Poipet, Cambodia, according to an exchange filing.

"MQ will be paid by Vivo Tower a 50/50 profit sharing fee four times a year," the company said. "The board reasonably expects the proposed diversification to contribute to 25% or more of the net profits of MQ Group," it added.

Source: <https://asia.nikkei.com/Markets/Nikkei-Markets/Malaysia-s-MQ-Technology-Plans-To-Diversify-Business-To-Add-Marketing-Services>

- a) Explain the level or type of diversification for MQ Technology to include marketing services for gaming related businesses into their principal activities.
(5 Marks)
 - b) Explain the likely reason for this diversification. Identify **TWO (2)** possible setbacks for diversification for this reason.
(6 Marks)
 - c) What is your opinion about MQ Technology decision to diversify into marketing services for gaming related business?
(4 Marks)
 - d) Can a diversification be value-reducing? Explain your answer.
(6 Marks)
- (Total 20 Marks)**

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QUESTION 3

Companies in different industries use strategic alliances for different reasons. For example, companies competing in the smartphone industry, the fast-cycle market such as Apple, Samsung and Huawei use strategic alliances for different reasons compared to companies competing in the pharmaceutical industry, the slow-cycle market such as Apex Healthcare, CCM Pharmaceuticals, Hovid and Kotra Pharma.

- a) Explain **THREE (3)** reasons for companies like Samsung and Apple to use strategic alliances and **THREE (3)** reasons for companies like Apex Healthcare, CCM Pharmaceuticals, Hovid and Kotra Pharma to use strategic alliances.

(12 Marks)

- b) Explain the **FOUR (4)** possible competitive risks in cooperative strategies.

(8 Marks)

(Total 20 Marks)

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